



CITY COUNCIL

Finance Committee

Meeting Report Monday, October 6, 2008

Committee Members Attending: J. Waltman, Chair, M. Baez

Others Attending: V. Spencer, L. Kelleher, R. Hottenstein, T. McMahon, Z. Collings, D. Cituk, M. Vind, F. Acosta

Waltman called the Finance Committee meeting to order.

Management Salaries

Mr. Hottenstein stated that the 2009 budget proposes shifting the following departments away from the Managing Director's Office:

- Community Development Department will manage Zoning, Planning, Trades, Historic Preservation, and CDBG
- Codes Office will be transferred under the Police Department.
- The IT Office will move under the Finance Department.
- Call Center will move under the Finance Department.

Mr. Hottenstein stated that Property Maintenance Inspectors have been reduced and replaced with three working foreman and one clerical supervisor.

Mr. Hottenstein stated that thirty five full-time positions have been eliminated through attrition. He stated that the Police Chief has agreed to only replace one officer for every two who retire or resign.

Mr. Waltman suggested integrating Historic Preservation Enforcement with Property Maintenance. Mr. Hottenstein agreed and announced that it is in the process.

Mr. Spencer inquired if the Administration has responded to Mr. Khokhar and

Inspector Gery's concerns pertaining to the move of Codes under the Police Department. He also noted Mr. Khokhar's concern that the Codes Administrator has not yet attained the necessary certifications. Mr. Hottenstein stated that the Administration is still researching the concerns expressed. He stated that the Codes Administrator will be required to attain the necessary certifications if need be.

Mr. Spencer and Mr. Waltman suggested that Council consider placing limits on management salary increases. Ms. Kelleher stated that in 2002 City Council passed an Ordinance amending the Personnel Code portion of the Administrative Code requiring the Administration to seek Council support for management increases over 3%.

Mr. Hottenstein stated that one additional position has been added, an OCIP Coordinator who will be the point person for insurance and claims for the Waste Water Treatment Plant improvement project. This position will be charged to self insurance and reimbursed by the sewer fund.

Mr. Waltman noted Council's previous request to include salaries in the full-time position ordinance. He noted the Administration's ability to hire a manager at any given salary. He asked Mr. Hottenstein and Ms. Kelleher to work together to include salaries in the full-time position ordinance. He also requested that the Administration begin to inform Council when new management employees are hired.

Action Steps

Mr. Hottenstein stated that to date the Parking Authority has agreed to a one time \$4 million payment. They have refused the request for a recurring \$1.4 million dollar contribution. He stated that he and the Mayor are still in negotiations with the Parking Authority regarding the need for recurring remission.

Mr. Hottenstein stated that an increased RAWA contribution has not been included in the 2009 Budget. The Administration is still engaged in conversation with the Water Authority about viable options. The Water Authority is currently considering doubling the meter surcharge. The meter's surcharge is currently set at \$4.50 per customer which generates \$850 thousand dollars.

Fines and Fees – Maximus Suggestions

Mr. Hottenstein stated that Maximus will be submitting their preliminary report this week. A copy will be provided to Council.

Budget Worksheet

Mr. Waltman stated that the Budget Worksheet was drafted to help build consensus among City Council. He asked that Councilors submit the completed worksheet to Ms. Kelleher. Results will be kept confidential and will not be released to the Administration. He stated that after the completed worksheets are tallied he and Mr. Spencer can use this information as they work with the Administration to finalize the 2009 Budget.

2008 Bonds

Mr. Vind from S. & Lutions informed the Finance Committee about the impact the current market conditions have had on the City's 2008 Bonds.

Mr. Vind explained that the City incurred \$ 50 million of variable rate General Obligation Bonds in December of 2006 (to be issued November 6th 2008) for the purposes of refunding the \$5 million line of credit note from Sovereign and providing additional funds for the City Sewer System Projects. At this time the City also entered into a forward starting variable fixed interest rate swap with Wachovia in connection with the \$15 million 2008 Bonds to provide an upfront payment of cash to the City of \$4.5 million and to hedge interest rate risk on the 2008 Bonds. This transaction was approved by the DCDE in 2006. He stated that over the past several weeks combination of Capital Market Consolidation with other factors has led to a market freeze for municipal bonds. He stated over the last several weeks S & Lutions has been shopping out of City's 2008 variable to find a fixed rate bond.

Mr. Vind stated that the City needs to get a liquidity provider to obtain a stand by bond purchase agreement for the 2008 Bonds that were issued in a variable rate mode. So far there have been no offers as the liquidity in the Bond market has dried up.

Mr. Vind stated that the City has two options:

- To raise the 2008 Municipal Bond by amending the existing SWAP and wait until the current market conditions allow the City to issue variable rate bonds and obtain liquidity.
- Terminate the variable to fix SWAP issue traditional fixed rate bond secured by bond insurance policy from FFA (the City has a commitment from FFA)

Mr. Vind noted the November 6th obligation to either terminate the SWAP or begin making payments however, this is not permitted under federal regulations. He noted the payoff amount has increased over the last two weeks.

Mr. Vind suggested that City consider adopting a Bond Ordinance based on market conditions that will terminate the existing variable fixed rates SWAP and issue

traditional fixed rate bonds. These foxed rate bonds would be used to refund the outstanding line of credit opened with Sovereign Bank, pay the termination payment, fund various sewer projects, and pay the cost associated with issuing the 2008 Bonds. He explained as the 2008 Bonds were approved by the DCDE the City will only need to adopt an amendment to issue fixed rate bonds and terminate the variable fixed SWAP. A first reading of the amended ordinance has yet to October 13th meeting and adoption at the October 27th meeting will put the City in position to issue the 2008 Bonds as scheduled on or about November 6th. Inclusion Of language (based on market conditions) will provide a broad option to pull the trigger if necessary.

Mr. Fuhs suggested reviewing the Waste Water Treatment Plant revenue line of credit with Mr. Binder.

Admissions Tax

Mr. Waltman questioned if Admissions Tax should be paid by organizations to lease facilities as payment covers a ticket or entry fee for all who chose to attend. Mr. Collings from the Sovereign Center stated that they believe that the Admissions Tax is only applied to ticket sales not to companies who lease the entire facility.

Mr. Fuhs stated that the definition of amusement opens debate on the application of the admissions tax to lease the facilities.

Mr. Waltman asked Mr. Collings to provide a rough estimate of the rental paid by organizations leasing the facilities. Mr. Collings estimated that approximately \$2,500 per day includes leasing the facility, clean up, and set up.

Ms. Goodman-Hinnershitz noted that this discussion began in the Auditor Reported on the drop in admissions fee revenue. Mr. Cituk expressed the belief that the Ordinance does not allow location of the admissions tax on a non ticketed event.

Mr. Collings reported that 29 of the 64 existing arenas in Pennsylvania charge admissions tax. He stated that the arenas in Pittsburgh, Philadelphia, and Reading charge 5% and other arenas charge a reduced amount.

CDBG and Consolidated Plan

Mr. McMahon and Mr. Hottenstein stated that the Office of Neighborhood Development (OND) is unfunded in the 2009 Budget as this function will be transferred to the Community Development Director.

Ms Goodman-Hinnershitz inquired if Reading Beautification will provide funding for

OND. Mayor McMahon replied that OND will no longer be covered by the Reading Beautification.

Mr. Waltman expressed the belief that Codes should be neighborhood focused.

Mr. Waltman inquired if the 2009 CDBG budget will include an allocation for the Blighted Property Effort. Mr. Hottenstein stated that due to the Administrations concern that money allocated in the 2009 CDBG Budget be spent in 2009 they will consider funding the Blighted Property effort and the Committee is ready to spend money. Ms. Kelleher stated she recently attended a DCDE Grant training session and learned of DCDE Grants to cover acquisition, demolitions, and __ and street scape improvements. She stated that she is exploring these opportunities further with Mr. Bednar, Executive Director of the Southeast DCDE Office. She state that CDBG allocations could be used to supply the necessary match.

Mr. Fuhs questioned lack of funding for façade and slum and blight activities verses the allocation of \$354,000 for City Park improvements. He questioned the Administrations position on throwing money at recreational projects rather than addressing City's problems. Mr. Hottenstein stated that those areas have been decreased as they have not been spent down in 2006, 2007, and 2008. Mr. Fuhs noted that \$469,000 allocated to the City Park Project has not been drawn down as of august 6, 2008. Mr. Hottenstein replied that money will be spent over the next 12 months.

Mr. Spencer also noted that the \$35,000 allocated for the NEAR Program has also not been drawn down as of August 6th. He questioned the allocation of \$15,000 for this program in the 2009 CDBG Budget and questioned how many existing NEAR Programs exists.

Mr. Fuhs requested a report concerning the delay in funding the construction of the Lancaster Avenue Firehouse. Ms. Goodman-Hinnershitz requested further information pertaining to the allocation for Olivet Southeast.

Mr. Waltman again asked City Council to complete and submit the Budget Worksheet and to Ms. Kelleher. He stated that the worksheets will be tallied and viewed to draw Council's consensus on different budget issues.

Respectfully submitted by,

Linda Kelleher
City Clerk